

FISCAL NOTE

HB 2478

February 12, 2006

SUMMARY OF BILL: Exempts any mutual fund distributions taxed as capital gains under federal income tax law from the state's Hall Income Tax (HIT).

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – \$27,375,000 FY07 and thereafter
Increase State Expenditures - \$8,250 One-Time

Decrease Local Govt. Revenues – \$16,425,000 FY07 and thereafter

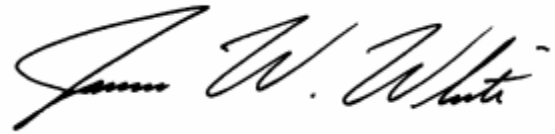
Assumptions:

- Current state law levies the HIT on income derived from stock dividends and bond interest.
- Each person, partnership, association, trust and corporation within the state who receives, accrues, or is otherwise credited during any year income from the above sources shall pay a six percent tax on such income.
- FY06-07 budget estimate for HIT revenue is \$175.2 million.
- The Department of Revenue (DOR) estimates that 25% of all HIT revenue is from capital gain (or mutual fund) distributions.
- The total decrease in HIT revenue as a result of the enactment of this legislation is estimated at \$43.8 million (\$175.2 million X 25% = \$43,800,000).
- Current law distributes five-eighths (62.5%) of all HIT revenue to the state's general fund and the remaining three-eighths (37.5%) among the cities and counties of the state.
- Net decrease to state revenues is estimated at \$27,375,000 (\$43.8 million X 62.5% = \$27,375,000).
- Net decrease to local government revenues is estimated at \$16,425,000 (\$43.8 million X 37.5% = \$16,425,000).

- Software modifications required by the DOR are estimated as a one-time state expenditure of \$8,250.
- Because the majority of HIT revenues are received during the April filing season for the previous tax year, this impact would not occur until FY07.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a stylized "W".

James W. White, Executive Director